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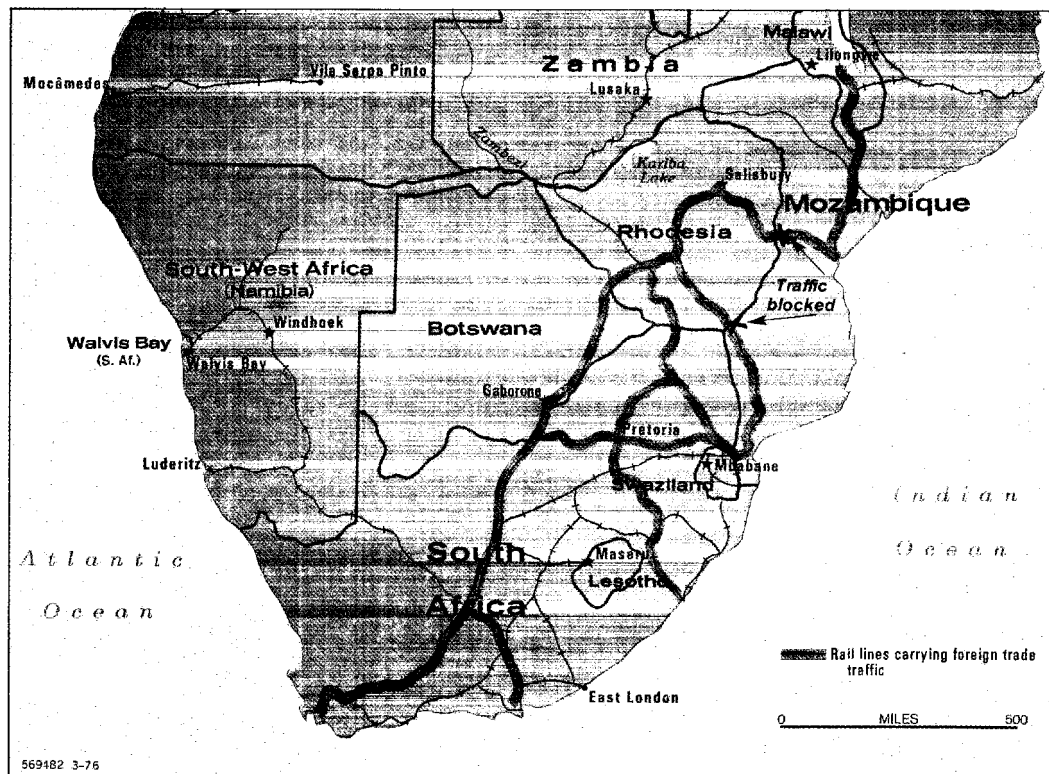
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RHODESIA

Rhodesia's economic well-being, now that Mozambique has imposed its embargo, depends on the rerouting of a large proportion of its foreign trade traffic through South Africa.

Rhodesia probably will suffer only a temporary setback because even before the embargo, at least 60 percent of Rhodesia's 5 million tons a year of exports and imports were passing through South Africa. Most of these goods moved over the direct Rhodesian - South African rail link completed in June 1974. The new connection has been upgraded in recent months and apparently now can handle over 5 million tons annually.

The South African transport net will be able to handle most of the diverted Rhodesian traffic. The increase above current levels represents less than 2 percent of total freight moved by South African railroads. Because it is concentrated on one or two lines, however, the new traffic will have to be gradually absorbed into the South African rail system in order to avoid disrupting local traffic. South Africa should be able to handle most of the traffic by the end of the year.

Through emergency traffic realignment measures, South Africa could handle all Rhodesian goods almost immediately. Pretoria is likely, however, to opt for a more gradual, less conspicuous absorption of Rhodesian traffic by letting the Rhodesian goods take their turn in the normal commercial competition for the carriers. South Africa is openly sensitive to its growing isolation in black-ruled Africa and is clearly unwilling to become the sole obstacle to the ending of white rule in Rhodesia.

The transport restrictions will temporarily depress Rhodesia's healthy economic growth. Export earnings, mainly from agriculture, mining, and mineral processing, account for about 25 percent of the gross domestic product. These receipts will fall as a result of the embargo, and political uncertainty will again slow foreign lending and investing.

Rhodesia will not want to use much of its large inventories of oil and other key imports. Tighter import rationing thus appears certain. Since the embargo, fuel supplies to both industrial and private consumers already have been cut by 20 percent under a previously established rationing system. Cuts probably will have to be made in imports of components for consumer industries such as automobile manufacturing.

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Only substantial aid inflows will keep the impact of the closure from being greater on Mozambique than on Rhodesia. Mozambique will lose an estimated \$30 to \$40 million annually from Rhodesian port and rail fees, and possibly as much more again if migrant laborers in Rhodesia are forced to return home. Together, the losses equal about 10 to 15 percent of total foreign exchange income.

Job losses will be most severe in the port of Beira. Rhodesian trade as well as traffic that transited Rhodesia to and from Botswana and Malawi accounted for more than two thirds of the port's volume. Maputo will be less affected. Only one quarter of its traffic volume moved via Rhodesia. For Mozambique as a whole, unemployment of rail and port workers and of workers on jobs dependent on transport activities will run in the thousands. Mozambique will also face temporary food shortages. It traditionally has imported corn, beef, and poultry from Rhodesia. Several months will be needed to shift to other suppliers.

Botswana and Malawi will also be adversely affected until adjustments can be made in traffic patterns. Botswana had been shipping copper and nickel, its most important exports, across Rhodesia to Mozambique ports. It will now have to compete for cargo space on the South African transport network.

South Africa and Rhodesia have been Malawi's major sources of imports, together supplying more than one third of the total. Fertilizer, machinery and equipment, coal, and food have been the major imports. Almost all were shipped via Rhodesia to Beira and transferred to the north-bound railroad to Malawi.

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CUBA-AFRICA

Fidel Castro has portrayed Cuba's immediate intentions in southern Africa as limited to consolidating the victory in Angola. He warned South Africa, however, that failure to withdraw its forces from southern Angola could lead to extended fighting beyond the Angolan border.

In his speech in Conakry on Monday, Castro touched only briefly on the situations in Rhodesia and Namibia and directed his harshest comments at the remaining South African presence in Angola. While his criticism of continued South African occupation of Angolan soil was couched in belligerent language, he nevertheless appeared to be giving assurances that the African interests in the Cunene dam would be protected if the troops were withdrawn. As the alternative to unilateral withdrawal, he held up the specter of a military clash between the South Africans and a multinational army—presumably of Cubans and Africans—which might spill over into Namibia.

Castro stated that the purpose of the Conakry summit was to decide on the strategy for the consolidation of Angola's independence, and despite the fervor of the occasion, he was careful not to mention Rhodesia and Namibia as objects of Cuba's liberation efforts. By focusing on the South African presence in southern Angola, Castro stands to reap additional credit if the South Africans negotiate an agreement on the Cunene dam which permits them to remove their troops.

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EGYPT

The cabinet resigned yesterday, and President Sadat has asked Prime Minister Salim to form a new government, which may be named today. The reorganization is aimed chiefly at the economic ministries and will essentially be a palliative aimed at giving the appearance of progress toward resolving economic grievances.

Although not an economist, Salim is an able administrator and, by sound supervision of a slow-moving and over-staffed bureaucracy, has been largely responsible for the recent modest acceleration in the government's economic liberalization program.

Some of the ministers heading the seven separate economic departments represented in the cabinet have been under attack for inefficiency; others, ironically, for too much efficiency.

Salim particularly wanted to get rid of the minister of industry because he believes the minister has obstructed foreign investment, one of the principal aspects of economic liberalization. The minister of trade, on the other hand, has been heavily criticized in the press and People's Assembly for pressing too vigorously for private sector competition with the public sector. Although this is another key aspect of the government's economic program, it is politically unpopular.

The government is beset with so many administrative and political problems that the cabinet reorganization is unlikely either to improve efficiency or to eliminate popular criticism for long. There is some indication that Salim will try to pare the number of ministries, but this has been attempted unsuccessfully before, and interministerial rivalries will make it equally difficult now.

The new cabinet is also unlikely to find a magic solution for the populace's economic grievances—rising prices, the increasing disparity between rich and poor, and the limited availability of imported consumer goods. The cabinet will be under constant pressure from Egypt's Arab donors and other international leaders to restrict consumer imports, to reduce price subsidies, and to speed economic liberalization—a process that will create additional income disparity and add to the economic burden of the poor before most workers begin to benefit.

President Sadat is already being criticized by labor leaders for a prediction in his speech last Sunday that Egyptians will have to face five more years of austerity. A labor union official has told the US embassy that workers had expected some commitment from Sadat on price stabilization and wage increases. The new cabinet, like the old one, is likely soon to come under fire on the same score.

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LEBANON

Lebanese politicians, apparently confident that Syria can impose a political solution in Beirut, yesterday intensified their debate on who should replace President Franjiah. Lebanon's president, who by custom is a Maronite Christian, must be elected by parliament.

The strongest candidate appears to be Ilyas Sarkis, governor of the central bank. Sarkis, who is not a member of parliament and has no personal political following, is favored by the Syrians, the Christian Phalanges Party, and President Franjiah.

Another leading candidate is Raymond Edde, son of Lebanon's first president and leader of the National Bloc, the country's third largest Christian political party. Edde has a broad following in parliament—particularly among the two-thirds majority that signed the petition calling for Franjiah's resignation—and among leftists and conservative Muslims generally. He is opposed by Damascus and by conservative Christians.

Sarkis, in an attempt to overcome his greatest weakness, met with Socialist leader Kamal Jumblatt on Wednesday, and announced that he is prepared to support Jumblatt's reform program. Jumblatt is nevertheless believed to hold to his long-time preference for still another, weaker Maronite leader.

Jumblatt controls few votes in parliament, but if a standoff develops between the two leading candidates, he may be able to withhold his support and deny both the required majority vote. This could prompt parliament to turn to any of several weak compromise candidates who almost certainly would be less able to deal effectively with Lebanon's problems.

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CUBA - PUERTO RICO

Havana has continued its campaign on behalf of Puerto Rican independence since the solidarity conference last September.

Both the weekly news magazine *Bohemia*, which is circulated abroad as well as within Cuba, and the weekly English edition of *Granma* have been stressing the impact of American "exploitation" on the faltering Puerto Rican economy, criticism of the US "maneuver" to defuse third world concern by making Puerto Rico a "free associated state," and growing "international solidarity" with the cause of Puerto Rican independence.

Statements by Cuban leaders reaffirming support for the Puerto Rican independence movement have continued in the vein of Fidel Castro's remarks to the party congress in December: "We will never abandon our brother Puerto Ricans even if there are a hundred years without relations with the US."

The reaction to Cuba's effort to arouse interest in Puerto Rico seems colored to a considerable degree by international sentiment regarding Cuba's interventionist policy in Africa. If one of the purposes of the Castro government's Angola policy was to reestablish its revolutionary bonafides, then it has succeeded. Radicals in the third world have begun to show increased respect for Cuba.

Libya's President Qadhafi, who only two and a half years ago demonstrated his contempt for Cuba's revolutionary credentials by walking out of a Castro speech at the nonaligned conference in Algiers, resumed diplomatic relations with Cuba earlier this month. The next step may well be Libyan support for the separatist Puerto Rican Socialist Party.

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In Latin American, however, even among those countries who are actually members of the nonaligned movement, there has been little receptivity to the Cuban campaign. When a Peruvian women's organization recently requested permission to distribute a Cuban film entitled "Puerto Rico," the Foreign Ministry prevented its showing.

Although Cuba has not yet raised the issue in the current session of the UN Committee on Decolonization, it has reportedly been putting pressure on a number of countries to change their vote on the resolution, first considered in the committee last August, to grant UN recognition to a Puerto Rican "National Liberation Movement."

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In addition, it is likely that Cuba intends to support the reported plans of the Puerto Rican Socialist Party to organize mass demonstrations this summer in several Latin American and Caribbean countries as well as in Western Europe. Finally, Havana is almost certain to try to put a discussion of Puerto Rico on the agenda for the nonaligned conference scheduled for August in Sri Lanka.

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GREECE-TURKEY

The Law of the Sea Conference in New York this week is focusing Greek and Turkish attention on the Aegean issue.

The weak coalition government in Ankara, in particular, is taking a tough line out of concern that Turkish interests may be ignored at the conference and in response to pressure from the political opposition. Prime Minister Demirel has been attacked by Turkish opposition leader Ecevit, who has labeled the government's Aegean policy "cowardly" and "incomprehensibly negligent." Pointing to his own bold policy in 1974 when as Prime Minister he sent a ship to conduct exploration in disputed waters, Ecevit has on several occasions challenged the government to begin exploration for oil in the Aegean. Ecevit has also charged that the government's failure to reach bilateral agreement with Greece before the start of the New York meeting was a blunder that could have negative consequences for the Turkish case at the conference.

In an effort to counter Ecevit's charges, the government was forced to acknowledge in late February that a ship was in fact being outfitted to begin seismic research in the Aegean—probably around mid-May. A statement by the Turkish energy minister that seismic exploration would be followed by test drilling near the Greek oil find off the island of Thasos in the northern Aegean was later disavowed by the Demirel government.

At the same time, Prime Minister Demirel and other coalition party leaders have stated repeatedly that any general agreements reached in New York must make exceptions for the "special circumstances" in the Aegean. Ankara is particularly worried over the possibility that the principle of a 12-mile territorial sea may be approved at the conference. Turkish access to the Aegean would be severely restricted if a 12-mile limit were applied to the Greek islands, and Turkish Foreign Minister Caglayangil has warned that such a situation will not be tolerated.

The commentary on the Aegean issue in Ankara has drawn some sharp and equally belligerent replies from a portion of the Greek press and some opposition leaders. The Caramanlis government, however, which is in a much stronger political position than its Turkish counterpart, has thus far largely refrained from such rhetoric and appears to have prevailed on some of the opposition politicians and press to follow suit. Athens did issue a demarche to the US earlier this week conveying its growing concern about Turkish intentions in the Aegean.

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USSR-UK

There is no evidence to date that Prime Minister Wilson's resignation has affected Foreign Minister Gromyko's scheduled visit to the UK next week. We expect the trip to occur because Gromyko is scheduled to meet with Foreign Secretary Callaghan and other Labor Party leaders from among whom the next prime minister will likely be selected.

London reportedly does not expect much to come from these talks. The visit is a follow-up to the protocol on periodic consultations that Prime Minister Wilson signed during his trip to Moscow in February 1975.

Multilateral issues likely to be discussed include Middle East and African—especially Rhodesian—developments, CSCE, and MBFR. Gromyko may attempt to raise the subject of ties between the Council for Mutual Economic Assistance and the EC; the British, however, are reportedly not prepared to discuss that matter at this time.

With respect to bilateral items, the talks will likely concern Soviet use of British credits and a possible trip to the UK this year by General Secretary Brezhnev. He was invited by Wilson when they met in Helsinki last August. [redacted]

[redacted] those talks were not productive due to insufficient time for substantive discussions. [redacted]

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USSR

Politburo member and senior ideologist Suslov, speaking before the Soviet Academy of Sciences on the subject of "proletarian internationalism," has responded sharply to recent attacks on Soviet doctrine by independent-minded Western Communist parties. Suslov mentioned no names, but there will be no mistaking that he was referring to the French, Italians, and the Spanish in condemning "opportunists" whose "regional or national" versions of Marxism do harm to the working class.

Suslov centered his speech on "proletarian internationalism" because it has come to mean Soviet primacy in the international movement and support for it is a benchmark of pro-Sovietism among foreign parties. During the Soviet party congress, many of the independent-minded Western parties either ignored "proletarian internationalism" or endorsed it only weakly.

Suslov's remarks will undoubtedly antagonize the independent parties and may further complicate preparations for the European Communist party conference. A new drafting session opened in East Berlin on Tuesday. If Suslov's tough words are echoed by the Soviets and/or their loyal East European allies, Moscow runs the risk of having the preparatory sessions fail.

The increasing independence of some Western parties confronts the Soviets with a dilemma. They are distressed by these parties' gestures toward autonomy, but they are apparently even more averse to open ideological splits that would serve to strengthen the Chinese. The Soviets will therefore probably still be seeking an accommodation with the recalcitrant European parties, even though the current meeting may not reach agreement on a preliminary draft or on a date for the actual conference.

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PORTUGAL

Portuguese air force officials have established a preliminary aircraft procurement plan to modernize the air force and strengthen its role in NATO. Some doubt, however, apparently remains in the armed forces as to the order of priorities listed in the plan.

In a conversation with Ambassador Carlucci, air chief General Morais da Silva identified fighter aircraft—especially the F-4—as the first procurement priority. The new aircraft is envisioned supporting an extraterritorial function such as maritime attack, possibly in conjunction with NATO. Acknowledging the impracticality of obtaining F-4s in terms of cost and training, however, Morais da Silva described this suggested acquisition as an “ideal” position and hinted that less advanced systems such as the F-5 might be more feasible. Portugal would require large-scale external financial and technical assistance even if a less expensive aircraft package is attained.

The second procurement priority, considered by some to be more important than fighters, is for Lockheed C-130s to support the army’s planned future NATO commitment of one air-transportable infantry brigade. The air force is trying to sell its two Boeing 707s to produce enough cash to purchase three transports with associated equipment and training. Revolutionary Council approval of the transaction is expected and military leaders desire to have the contracts signed before the forthcoming elections, to avoid the danger of a new regime negating the sale.

Morais da Silva said P-3 Orion aircraft are the third priority. These would replace Portugal’s obsolete P-2E Neptunes, which are inadequate for the air force’s NATO maritime patrol mission in the central North Atlantic.

The ambitious procurement list reflects the determination of air force officials to modernize their service, adapt it to a more domestically oriented mission and at the same time strengthen its ties to NATO.

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